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Consideration and adoption of the biennial programme budget 2018-2019 (revised)

Biennial programme budget 2018-2019 (revised) of the Office of the United Nations High Commissioner for Refugees

Report by the High Commissioner

Addendum

Report of the Advisory Committee on Administrative and Budgetary Questions

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the biennial programme budget 2018-2019 (revised) of the Office of the United Nations High Commissioner for Refugees (UNHCR) (A/AC.96/1180). The Committee also had before it the financial report and audited financial statements for the year ended 31 December 2017 and the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/73/5/Add.6). During its consideration of the reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the Office of the High Commissioner, who provided additional information and clarification concluding with written responses received on 7 September 2018.

2. The Advisory Committee also met with the members of the Audit Operations Committee of the Board of Auditors regarding their audit report on UNHCR (ibid.). The Committee's comments and recommendations on the audit findings contained in the report of the Board will be presented in a separate report to the General Assembly at its seventy-third session, covering all audited entities. Section IV below contains some of the issues specific to UNHCR raised in the report of the Board and the related comments and recommendations of the Advisory Committee.

II. Revised biennial programme budget 2018-2019

A. Budget methodology and presentation

3. The High Commissioner's report indicates that the revised budget proposal for the biennium 2018-2019 continues to be based on the global needs assessment methodology which was first approved by the Executive Committee in October 2009 for the programme budget of 2010-2011. According to the High Commissioner, global needs are assessed in consultation with various stakeholders in the field. Various planning factors are also considered when establishing the budget figures (see A/AC.96/1180, para. 9). Upon enquiry as to whether the Board of Auditors has examined in its previous reports, the needs-based budgeting methodology used by UNHCR, the Advisory Committee was informed that the Board has not specifically audited the budget methodology; however in 2015, it had commented and reported on the prioritization of resources and population data and that these audit themes resulted in several recommendations affecting the planning process underlining UNHCR's needs budget (see A/73/5/Add.6, Annex to Chapter II).

4. While the budget is based on needs, the actual revenue and expenditure reflect the funds available which are mostly provided through voluntary contributions. In 2017, the final budget amounted to $7.96 billion, when the available funds totalled $4.5 billion, leaving a funding gap of $3.4 billion or 43 per cent (A/AC.96/1180, table I.7 and para. 41, see also para. 21 below on the observation of the Board of Auditors regarding the evolution of the financial indicators from 2016 to 2017). The High Commissioner's report also indicates that during the implementation period, UNHCR maintains a phased approach to the management of resources and reprioritizes and adjusts its programmes accordingly. Based on the funding available, spending ceilings are approved at the beginning of the year and continuously reviewed as funding availability and operational requirements evolve (A/AC.96/1180, para. 11). The Advisory Committee was informed, upon enquiry, that the earmarking of contributions is an important element factored in when making the decisions related to the adjustment of the spending ceilings.

5. Table 10 of Annex I of the report sets out the actual expenditures and projected requirements by items of expenditure from 2015 to 2019. The Advisory Committee recalls its comments concerning the information contained in previous reports (see A/AC.96/1158/Add.1, para. 4). The Committee welcomes the provision of information on actual expenditures in the report, but considers that a more detailed breakdown by items of

expenditure would be useful in future budget submissions (see also A/AC.96/1169/Add.1, para.5).

6. The proposed revised budget for the biennium 2018-2019 continues to be categorized into field, global programmes and headquarters, with the planning figures for populations of concern considered under four pillars (refugees, stateless persons, reintegration and internally displaced persons). The report also provides an analysis of past performance including an overview of the budgets, funds available and expenditure from 2010 to 2017 which is reflected below.

Table 1
Budget, funds available and expenditure 2010-2017

(in thousands of US dollars)

	2010	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*
Budget, funds available and expenditure								
Final budget	3,288,730	3,821,708	4,255,607	5,335,374	6,569,754	7,232,409	7,509,703	7,962,857
Funds available	2,112,480	2,413,144	2,593,847	3,234,135	3,603,099	3,706,762	4,410,812	4,510,043
Expenditure	1,878,174	2,181,099	2,357,710	2,971,825	3,355,409	3,294,815	3,967,096	4,083,352
Analysis in percentage terms								
Funds available as % of budget	64%	63%	61%	61%	55%	51%	59%	57%
Funding gap	36%	37%	39%	39%	45%	49%	41%	43%
Expenditure as % of budget	57%	57%	55%	56%	51%	46%	53%	51%
Expenditure as % of funds available	89%	90%	91%	92%	93%	89%	90%	91%

7. From the analysis of the above table, the Advisory Committee concludes that the final budget level, funds available and expenditure levels reflect an upwards trend from 2010 to 2017, however the funds available and expenditures as a percentage of the budget have in fact declined over the same period.

B. Revised proposal for the biennial programme budget 2018-2019

8. The High Commissioner's report indicates that, in October 2017, the Executive Committee approved the original programme budget for 2018 of $7,508.4 million (see A/AC/96/1176). As at 30 June 2018, the budget for 2018 totalled $8,275.3 million, which represents an increase of $766.9 million, or approximately 10 per cent, compared to the original budget. This increase is due to six supplementary budgets which were established by the High Commissioner to address the unforeseen needs in the Central Mediterranean area, Democratic Republic of the Congo, Myanmar, South Sudan, Syria and Venezuela situations (A/AC.96/1180, para.22). Table 7 of annex I of the report provides information on the financial implications of these supplementary budgets. Upon request, the Advisory Committee was provided with additional detail on the expenditure level related to the supplementary budgets as at 30 June 2018 (see the annex to the present report).

9. Table I.8 of the High Commissioner's report reflects the proportional changes in expenditures by region. Upon enquiry, the Advisory Committee was informed that the expenditure dedicated to Africa decreased from 34 per cent to 32 per cent between 2017 and 2018 due to the lower than anticipated actual number of South Sudanese refugees fleeing to Uganda. Expenditures in the Middle East and North Africa decreased as a proportion of total expenditure from 30 per cent to 25 per cent of the total expenditure between 2017 and 2018 (as at 30 June) due to higher proportional cash assistance for winterization activities in the final quarter of the year.

10. For 2019, the Executive Committee had approved an original programme budget of $7,352.3 million. Based on the revised needs assessment, the proposed revised budget reflected in the report of the High Commissioner amounts to $8,591.1 million, representing an increase of $1,238.8 million, or 17 per cent (see A/AC.96/1180, para. 23). The largest revised requirements for 2019 in the Middle East and North Africa region are mainly due to the refugee activities in Jordan and Lebanon, associated with the ongoing crisis in the Syrian Arab Republic and the operations in Iraq. In the Asia and the Pacific region, increases are due to the refugee operation in Bangladesh (A/AC.96/1180, paras. 27 and 28).

11. Upon enquiry, the Advisory Committee was informed that the preliminary budget for 2019 was based on planning assumptions established in the first quarter of 2017 and reflected a projected number of 66.4 million person of concern. According to the information provided, the revised budget reflects a 19 per cent increase in the projected number of persons of concern to 78.8 million as compared to 17 per cent in the revised budget. The Advisory Committee was not provided with a detailed explanation concerning the correlation between the needs assessment and revised budget requirements. Therefore, the Committee expects that additional justification for the proposed budget increase for 2019 be provided to the Executive Committee at the time of its consideration of the revised budget proposal or 2018-2019.

12. Upon request, the Advisory Committee was provided with trends in the approved budget level per person of concern from 2010 to 2019, which is reflected in the table below and shows a relatively stable level of budgeted support per individual person of concern with an average budget of $111 per person of concern.

Table 2
UNHCR budget per person of concern, 2010-2019
(in US dollars)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
97	108	119	124	120	113	111	111	104	109	111

C. United Nations regular budget contribution

13. For the biennium 2018-2019, the General Assembly approved a budget appropriation of $86.1 million to cover the cost of the posts of the High Commissioner and the Deputy High Commissioner as well as 218 management and administration posts at Headquarters, and a proportion of non-post requirements at Headquarters (see A/RES/263 A-C and A/AC.96/1180, para. 79). Upon enquiry, the Advisory Committee was informed that UNHCR's revised requirements for 2018-2019 will not have any impact on the regular budget contribution (to UNHCR) for the same period, but that it intends to submit to the Secretary-General a proposal for an increase in the regular budget contribution towards its management and administrative costs, in the context of the United Nations regular budget proposal for 2020.

D. Post requirements

14. The High Commissioner's report indicates that total number of UNHCR posts was 12,627 as at 30 June 2018. The proposed staffing structure projects a total of 13,323 posts in 2019, representing an increase of 697 posts, or 6 per cent compared to the situation as 30 June 2018. This increase, which would occur in the Middle East and North Africa (406 posts), Africa (258 posts) and the Americas (46 new posts). The Advisory Committee also notes that there would be a decrease of 17 posts in the Asia and Pacific region (A/AC.96/1180, paras. 89 and 90).

E. Reserves

15. The High Commissioner also indicates in his report that the programme budget contains two reserves: (1) the operational reserve (OR) set at an amount equivalent to 10 per cent of the requirements for programmed activities under the global refugee and global stateless programmes; and (2) the reserve for new or additional activities currently fixed at $20 million. Table I.2 of the revised budget shows that the operational reserve will increase by $122.4 million or 25 per cent from 2018 to 2019 primarily as a result of the supplementary budgets established during the year and inter-pillar transfers. (A/AC.96/1180, para. 30). Upon request, the Board of Auditors confirmed to the Advisory Committee that the establishment and requirements of the reserves are stipulated in

UNHCR's financial rules and regulations, and that, as part of the Board's regular audit, it verifies whether the level of reserves is in line with the financial rules and regulations and the decisions of the Executive Committee.

III. Key initiatives

A. Private sector partnerships

16. Section IV of the High Commissioner's report sets out the key initiatives of UNHCR, including efforts to expand partnerships with the private sector. In this regard, the report indicates that $400 million or 10 per cent of voluntary contributions originated from the private sector in 2017, and that the Private Sector Partnerships Service has embarked on a strategy to raise $1 billion by 2025, half of which is expected to be unearmarked and contributed by 5 million individual donors. The Advisory Committee was informed, upon enquiry, that the Office is on track to reach $440 million in contributions from the private sector in 2018, and that the target for 2019 is $500 million. The Advisory Committee notes the progress made in terms of private sector contributions and the resulting broadening of its donor base (see also A/AC.96/1169/Add.1, para.22).

B. Global service centres in Budapest and Copenhagen

17. Paragraphs 10 to 13 of Annex II of the High Commissioner's report provides information on the global service centers in Budapest and Copenhagen. As at 30 June 2018, there were 554 positions in these two locations (compared with 567 positions as at 30 June 2017), costing estimated at $49 million. The report states that an additional cost of $37 million would be incurred if the same positions had been located in Geneva; 92 per cent of these savings were attributed to the global service centre located in Budapest. The Committee recalls that these annual savings were estimated at $43 million in the previous report of the High Commissioner (A/AC.96/1169, annex II, para. 8). Upon enquiry, the Advisory Committee was informed that the estimated decrease of $6 million in annual savings reflects the downward revision of the post adjustment for D and P staff categories in Geneva in 2018 and a reduction of 40 positions in Budapest in 2018. The Advisory Committee reiterates its recommendation that more detailed information on the efficiencies gained and the improvements to service delivery should be provided in the next budget submission (see A/AC.96/1169/Add.1, para 25).

18. The High Commissioner's report also states that surveys relating to the services provided by the global service centres have found high levels of satisfaction among UNHCR's workforce. The Advisory Committee was informed, upon enquiry, that this assessment refers to a survey conceived and rolled out by the human resource services in Budapest to track customer satisfaction on an ongoing basis and help identify emerging issues.

19. In its report on UNHCR, the Board of Auditors identified potential efficiency gains with regard to the global warehouse located in Copenhagen and noted that an external review undertaken in 2014 proposed, among other things, that shipments for UNHCR operations in Africa should not originate from the warehouse in Copenhagen. The Board's own analysis revealed that in the period 2015–2017, the supply of stocks originates from Asia, while a substantial part of outgoing shipments was destined for the southern hemisphere, including in Africa. The Board noted that a separate third-party review of UNHCR's warehouse locations was ongoing at the time of its audit. The Board recommended that the management of core relief items in stock be assessed, including the supplies to country operations (A/73/Add.6, Summary, paras 24 and 28). Upon enquiry, the Advisory Committee was informed that the Board's analysis was based on its visits to UNHCR headquarters and the global warehouse in Copenhagen. As the third-party review had not been finalized at the time of the completion of the Board's report, the methodology utilized in this review had not been assessed. The Advisory Committee encourages

UNHCR to ensure the prompt completion of the review of the warehouse locations and to include the result of this assessment in the next budget submission.

C. Business innovation group

20. The High Commissioner indicates in his report that he co-chairs, together with the Executive Director of the World Food Programme, the Business Innovation Group which is dedicated to achieving greater effectiveness and efficiency through the integration of resources among UN agencies and organizations. The report further indicates that three task teams that have been set up to: (i) develop a strategy to establish common back offices for all UN Country Teams by 2022; (ii) increase the proportion of UN common premises from 16 per cent to 50 per cent by 2021; and (iii) identify a few service areas in which to pilot the mutual recognition of policies across different agencies and organizations (A/AC.96/1180, para. 99). The Advisory Committee welcomes efforts to achieve greater effectiveness and efficiency through the sharing of resources among United Nations agencies and organizations and trusts that additional information on this matter will be provided to the Executive Committee at the time of its consideration of the revised programme budget for 2018-2019.

IV. Report of the Board of Auditors

21. The Board of Auditors has audited UNHCR's financial statements for the year ending 31 December 2017 and issued an unqualified audit opinion that the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2017, and its financial performance and cash flows for the year, in accordance with IPSAS. The Board also confirms that UNHCR finances remain sound with high levels of liquidity. The key financial indicators remain robust with the total assets exceeding total liabilities by three times as at 31 December 2017 (see A/73/5/Add.6, table II.1). From 2016 to 2017, voluntary contributions increased by $226.2 million, or 5.8 per cent, to $4,148.1 million. Expenses decreased slightly, by $3.4 million, amounting to $3,849.1 million over the same period. This decrease resulted mainly from foreign exchange gains offset by increased expenses for implementing partnerships (A/73/5/Add.6, Chapter I, para. 5). According to the Board, UNHCR continues to enjoy high levels of support from its donors.

22. In its report for 2017, the Board issued 12 recommendations covering a range of issues including the cash assistance modality, Sustainable Development Goals, fraud and corruption and the use of individual contractors.

A. Cash assistance to beneficiaries

23. The Board made several recommendations concerning the modality for the provision of assistance to refugees including for better monitoring of related training and for the establishment of control mechanisms for monitoring cash-based intervention documents. On this matter, from its review of other field-based entities, the Advisory Committee notes the increase use of the modality in the delivery of assistance to beneficiaries. The Advisory Committee intends to keep the matter of cash-based assistance under review.

B. Sustainable Development Goals (SDGs)

24. The Board's report indicates that the current results-based management system and the corresponding information technology solution at UNHCR do not include references to the SDGs and that the Office has not yet fully assessed the programmatic implications of the 2030 Agenda. The Committee fully supports the Board's recommendation that UNHCR formulate a corporate position on the SDGs and develop a results-based management system reflecting the position of UNHCR's contribution to the SDGs.

C. Fraud and corruption.

25. UNHCR reported 38 cases of proven fraud during 2017. The Board considered that this was a reflection of the fact that UNHCR's internal mechanisms for detection of fraud and corruption were functioning properly. However, the Committee notes the Board's recommendation that country operations refine their risk assessment and identification of areas vulnerable to fraud and corruption.

D. Use of individual consultants

26. The Board noted cases where consultants were hired to perform regular day-to-day functions of staff members including supervisory responsibilities, and that the earnings of certain consultants exceeded the prescribed threshold. Upon enquiry, the Advisory Committee was informed that the overall percentage of consultants as a proportion of overall personnel stood at 4.4 per cent in 2017. The Advisory Committee notes the efforts made by UNHCR to keep the use of consultants to a minimum.

27. With regard to previous recommendations, the Board's report indicates that as at 30 April 2018, of the 45 recommendations made for 2016 and previous years, 23 (51 per cent) had been implemented, 18 (40 per cent) remained under implementation and 4 (9 per cent) had been overtaken by events. Considering that as at 30 June 2017, the implementation rate was only 19 per cent, the Board welcomed the overall progress made in implementing older recommendations (see A/72/5/Add.6). The Advisory Committee expects that all recommendations of the Board of Auditors will be implemented expeditiously. Information on the status of the implementation of recommendations is annexed to Chapter II of the Board's report. The Advisory Committee notes that a recommendation related to the global management of vehicles has been under implementation for an extended period of time and trusts that this recommendation will be implemented within the current budget cycle.

Annex

Expenditure recorded under the situations for which supplementary budgets were established in 2018 (as at 30 June, in US$)

Situation	Region/Sub-Region	Annual Programme Budget	Supplementary budgets	OR and other transfers and adjustments	Current budget	Expenditure as at 30 June 2018
		1	2	3	4=1+2+3	5
Central Mediterranean Situation	West Africa	0	33,955,017	11,293,035	45,248,052	9,000,940
	East and Horn of Africa	33,378,076		8,635,031	42,013,107	10,724,724
	Middle East and North Africa	15,017,858	58,306,089	220,000	73,543,947	15,757,737
	Europe	283,999,966		-400,122	283,599,844	140,467,413
	Global Programmes	0	2,350,000	628,122	2,978,122	1,117,891
	Headquarters	3,947,098	1,418,973	212,000	5,578,071	2,113,859
	Total	**336,342,998**	**96,030,078**	**20,588,066**	**452,961,142**	**179,182,564**
Democratic Republic of the Congo situation	East and Horn of Africa			118,322,138	118,322,138	20,014,985
	Central Africa and Great Lakes		19,882,158	162,428,492	182,310,649	36,583,775
	Southern Africa		47,720,129	15,595,510	63,315,639	14,520,958
	Global Programmes					36,368
	Total	**0**	**67,602,287**	**296,346,140**	**363,948,427**	**71,156,086**
Myanmar situation	Asia and the Pacific	64,473,123	207,284,147	14,585,876	286,343,146	88,815,709
	Headquarters		887,166		887,166	293,874
	Total	**64,473,123**	**208,171,313**	**14,585,876**	**287,230,312**	**89,109,583**
South Sudan situation	East and Horn of Africa	711,497,820	92,322,281	1,574,960	805,395,060	155,965,232
	Central Africa and Great Lakes	18,979,866		10,000,000	28,979,866	4,987,956
	Global Programmes		573,161		573,161	
	Total	**730,477,686**	**92,895,442**	**11,574,960**	**834,948,088**	**160,953,188**

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Syria situation	East and Horn of Africa	22,447,808			22,447,808	2,766,817
	Middle East and North Africa	1,286,755,841	259,200,000	-4,161,825	1,541,794,015	322,069,642
	Europe	379,812,979			379,812,979	56,107,213
	The Americas	0		450,000	450,000	261,983
	Global Programmes	264,387		3,298,429	[illegible]	[illegible]
	[illegible]	2,200,000			2,200,000	983,957
	Total	**1,691,481,015**	**259,200,000**	**-413,386**	**1,950,267,628**	**384,411,405**
Venezuela situation	The Americas		42,677,435	69,318	42,746,753	9,055,781
	Headquarters		332,114		332,114	75,941
	Total	**0**	**43,009,549**	**69,318**	**43,078,867**	**9,131,721**
	Grand Total	**2,822,774,821**	**766,908,669**	**342,750,973**	**3,932,434,463**	**893,944,546**